

**REPORT OF THE AUDIT OF THE
WHITLEY COUNTY
SHERIFF**

**For the Year Ended
December 31, 2001**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Whitley County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Whitley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
WHITLEY COUNTY SHERIFF**

Calendar Year 2001

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY SHERIFF

Calendar Year 2001

Berger & Ross, PLLC has completed the audit of the Whitley County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presently fairly in all material respects.

Financial Condition:

We have audited the Sheriff's financial statement for calendar year 2001. Our report indicated the Sheriff had receipts of \$535,181, which included \$80,000 for state advancement. The Sheriff had disbursements of \$533,394. This resulted in \$1,787 of excess fees paid to the Whitley County Fiscal Court.

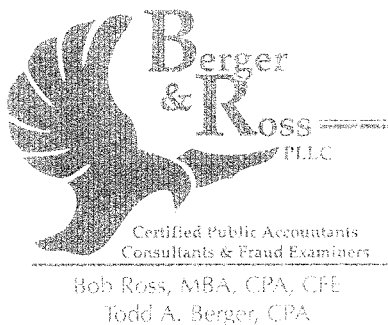
Report Comments:

- The Sheriff Should Annually Present A Statement of Receipts And Disbursements To The Fiscal Court
- The Sheriff Should Publish The Annual Financial Statement Within a Timely Manner
- The Sheriff Should Report Accurate And Consistent Information To The County Judge/Executive's Office For Payroll Purposes

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO THE FINANCIAL STATEMENT	6
COMMENTS AND RECOMMENDATIONS	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



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Association of Certified Financial Planners
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National Association of Tax Professionals
National Association of Certified Public Accountants
National Association of Governmental Accountants

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Whitley County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the Whitley County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Whitley County Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, include herein, which discuss the following report comments:

- The Sheriff Should Annually Present A Statement of Receipts And Disbursements To The Fiscal Court
- The Sheriff Should Publish The Annual Financial Statement Within a Timely Manner
- The Sheriff Should Report Accurate and Consistent Information To The County Judge/Executive's Office For Payroll Purposes

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", written in a cursive, flowing style.

Berger & Ross, PLLC

Audit fieldwork completed -
August 14, 2002

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Payments:		
Patrolling National Forest	\$	2,900
State Grant:		
KLEFPF		32,585
State Fees For Services:		
Finance and Administrative Cabinet		10,156
Circuit Court Clerk:		
Sheriff's Security Fees	\$	14,239
Fines and Fees Collected		1,741
Reimbursement for Restitution		<u>223</u>
		16,203
Fiscal Court:		
Fuel	\$	10,956
Bailiff		<u>16,000</u>
		26,956
County Clerk:		
Delinquent Taxes	\$	8,588
Election Commissioner		<u>800</u>
		9,388
Commission on Taxes Collected		197,531
Sheriff's Fees on Taxes Collected:		
10% Add-On Fee	\$	23,221
\$5 Fees		<u>4,720</u>
		27,941
Fees Collected for Services:		
Accident and Theft Reports	\$	232
Auto Inspections		11,660
Deputy Reimbursements		24,300
Serving Papers		<u>25,120</u>
		61,312
Other:		
Sheriff's Sales	\$	3,139
Carrying Concealed Deadly Weapon Permits		16,120
Insurance Claims		17,793
Miscellaneous		2,961
Repayment from Drug Account		2,000

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Receipts (Continued)

Other: (Continued)

Transport	16,863	
Unidentified Receipts	804	
Unmined Property	185	
Vehicle Sale	<u>6,600</u>	66,465
Interest Earned		3,744
Borrowed Money		
State Advancement		<u>80,000</u>
Total Receipts		\$ 535,181

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services:

Deputies' Gross Salaries	\$ 267,314
KLEFPF Salaries	27,963

Employee Benefits:

KLEFPF/Hazardous Duty Retirement	2,181
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Material and Supplies:

Office Material and Supplies	3,374
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Automobile Expenses:

Gasoline	21,051
Maintenance and Repairs	7,725

Other:

Advertising	559
Bonds and Insurance	1,599
Carrying Concealed Deadly Weapons Permits	6,375
Cell Phone	1,667
Dues	638
Interest	3,232
Miscellaneous	4,032
Postage	2,651
Summons - Other Counties	20
Transports	490
Uniforms	439

Capital Outlay:

Camera Equipment	356	351,666
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WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements (Continued)

Debt Service:		
State Advancement	\$ 80,000	
Note Repayment (Note 5)	<u>31,000</u>	<u>111,000</u>
Total Disbursements		<u>\$ 462,666</u>
Net Receipts		\$ 72,515
Less: Sheriff's Statutory Maximum	\$ 67,874	
Less: Sheriff's Training Incentive	<u>2,854</u>	<u>70,728</u>
Excess Fees Due County for Calendar Year 2001		\$ 1,787
Less: Payment to County Treasurer - August 15, 2002		<u>1,787</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months of the year, and 6.41 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Account

During calendar year 2001, the Sheriff maintained a drug and alcohol fund. This fund was established in October of 1999. As of December 31, 2000 the fund had a balance of \$5,465. Receipts for the 2001-year totaled \$6,142, and disbursements totaled \$11,161, resulting in a balance at December 31, 2001, of \$446. This fund is not to be included in excess fees due to its intended purpose.

Note 5. Note Payable

The office of the County Sheriff entered into a promissory note, dated November 21, 2000 in the amount of \$40,000, which was due November 21, 2001. The Sheriff's office repaid \$9,000 during calendar year 2000, leaving a principal balance of 31,000 outstanding. The fiscal court approved the Sheriff's budget for calendar year 2001, which allowed the Sheriff to repay the loan from 2001 revenues. The remaining principal of \$31,000 and related interest was repaid with calendar year 2001 revenues.

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COMMENTS AND RECOMMENDATIONS

WHITLEY COUNTY
ANCIL L. CARTER, SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2001

STATE LAWS AND REGULATIONS:

- 1) The Sheriff Should Annually Present A Statement of Receipts And Disbursements To The Fiscal Court

Pursuant to KRS 134.310 the Sheriff should present a settlement to the Fiscal Court. As of fieldwork date, this settlement has not been presented to the court. We recommend the Sheriff present the settlement to the court as required by KRS 134.310.

Sheriff's Response:

OK.

- 2) The Sheriff Should Publish The Annual Financial Statement Within a Timely Manner

Pursuant to KRS 424.220(6) and (8) the Sheriff should publish an annual settlement within 60 days of the close of the calendar year. As of the fieldwork date, the settlement has not been published. We recommend the settlement be published as required by KRS 424.220.

Sheriff's Response:

OK.

- 3) The Sheriff Should Report Accurate And Consistent Information To The County Judge/Executive's Office For Payroll Purposes

The Sheriff should report accurate payroll information to the Judge/Executive so that the Fiscal Court can accurately pay the Sheriff's nonhazardous retirement contributions. The payroll information the Sheriff reports to the Judge/Executive affects the individual retirement amounts that are paid into the retirement system for the Sheriff's employees. Inaccurate reporting to the Judge/Executive may create a problem with individual employee's payroll and retirement records. We recommend that the Sheriff's office provide a reconciliation to the Judge/Executive of the differences in the Sheriff's records to the amount reported to the Judge/Executive in months when such differences exist.

Sheriff's Response:

OK.

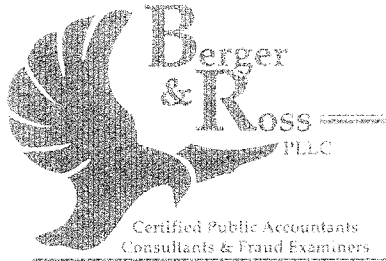
PRIOR YEAR AUDIT COMMENTS AND RECOMMENDATIONS:

- 1) The Sheriff's Office Should Not Have Had A Deficit Of \$29,803
- 2) The Sheriff Should Maintain Sufficient Pledge Of Securities To Prevent Having Uninsured And Unsecured Deposits Totaling \$622,095
- 3) The Sheriff Should Keep Accurate Classifications and Reconciliation's Between the Books And Quarterly Reports
- 4) The Sheriff Should Annually Present a Statement of Receipts and Disbursements To The Fiscal Court

Prior year comments 1, 2, and 3 were corrected. Comment number 4 was uncorrected and is discussed above.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Bob Ross, MBA, CPA, CFE
Todd A. Berger, CPA

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Whitley County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated August 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Whitley County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations section:

- The Sheriff Should Annually Present A Statement Of Receipts, Disbursements And Excess Fees To The Fiscal Court
- The Sheriff Should Publish The Annual Financial Statement In A Timely Manner
- The Sheriff Should Report Accurate And Consistent Information To The Judge/Executive's Office For Payroll Purposes And These Amounts Should Agree To The Sheriff's Records.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
August 14, 2002

